



**CITY OF FLAGSTAFF
MAY 2004 BOND ELECTION
PROPOSED PROJECT
*DRAFT***

PROJECT TITLE: Water Acquisition

PROJECT DESCRIPTION:

The project provides for the authority to sell bonds for up to \$15,000,000 for the future acquisition of water for Flagstaff.



Future water acquisition could include surface water or groundwater either within or outside of Flagstaff. Options that may be considered include acquisition of property that has ground water rights, study of the Redwall Aquifer as a source of groundwater, additional wells, acquisition of property that has surface water rights, or purchase or lease of available water.

A specific project is not being presented at the time of the bond program. Financial certainty is an advantage to negotiations for whatever project that may be identified and developed in the future. Any project will have to go through public scrutiny and local government approvals before bonds would be sold. The basis of the \$15,000,000 amount is identified under the following paragraph. This does not include any conveyance costs that would have to be incurred in the future, depending on the alternative. If the amount is reduced, to say \$10,000,000 the impact will be to create a greater need for Flagstaff to have a partner (also with funding) to enter into a water deal.

PROJECT COST AND FUNDING SOURCE: \$15,000,000 *

If approved, the City would have the authority to issue bonds that would be repaid through utility user fees and capacity fees. Bonds would only be issued if future water sources were identified.

USE OF BONDING AUTHORITY:

The estimate of \$15,000,000 has evolved from proposals that have been presented to Flagstaff by parties. Planet Ranch was purchased for \$12,000,000 and Scottsdale has since put \$3,000,000 into it. The price of the I-10 Ranch has been stated as \$19,023,000. The Cibola Irrigation District was offered at \$20,000,000 cash.

As indicated previously, it is hard to say Flagstaff can make a water deal with \$15,000,000 as much as \$10,000,000. However, even \$10,000,000 would be something to negotiate with.

ESTIMATED ANNUAL OPERATING COSTS:

Annual operation and maintenance costs cannot be determined until a source of water is selected. Annual O&M costs would be a consideration in selecting a new source of water supply.

PROJECT BENEFITS:

Upper Lake Mary has proven to be an undependable source of water for the growing community of Flagstaff. In addition to surface supplies that cannot be counted on, groundwater levels in the Woody Mountain and Lake Mary well fields have been declining.

A new source of water supply will provide for less dependency on Upper Lake Mary and allow for reduced pumping in the Woody Mountain and Lake Mary areas.

* Footnote: The project costs represent estimated current dollars (uninflated, not representing the time value of money).

This is one of 15 projects under consideration by the Bond Advisory Task Force. The Task Force will consider input from the public and citizen boards and commissions to make their recommendation to the City Council for projects to include on the May 2004 general election ballot. Not all projects under consideration by the Task Force will be proposed to City Council for inclusion in the bond election.